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KAM HING INTERNATIONAL HOLDINGS LIMITED

錦興國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 02307)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 4.2% to approximately HK\$4,152.7 million (2014: HK\$3,985.7 million)
- Gross profit increased by approximately 11.3% to approximately HK\$637.8 million (2014: HK\$573.3 million)
- Net profit for the year attributable to ordinary equity holders of the Company decreased by approximately 28.1% to approximately HK\$58.3 million (2014: HK\$81.1 million); Excluding the share of losses of an associate, the underlying net profit attributable to ordinary equity holders of the Company increased by approximately 17.2% to approximately HK\$100.4 million (2014: HK\$85.7 million);
- Proposed final dividend of HK1.5 cents per share (2014: HK\$1.3 cents)

The board (the “Board”) of directors (the “Directors”) of Kam Hing International Holdings Limited (the “Company”) is pleased to announce the annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2015 (the “Year”), together with the comparative figures for the year ended 31 December 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
REVENUE	4	4,152,733	3,985,699
Cost of sales		(3,514,895)	(3,412,403)
Gross profit		637,838	573,296
Other income and gains, net	4	28,831	24,203
Selling and distribution expenses		(129,054)	(109,456)
Administrative expenses		(344,986)	(314,570)
Other operating expenses, net		(3,267)	(13,930)
Gain on disposal of a joint venture		–	10,306
Finance costs		(61,585)	(56,745)
Share of profits less losses of a joint venture		–	(1,697)
Share of profits less losses of an associate		(42,152)	(4,635)
PROFIT BEFORE TAX	5	85,625	106,772
Income tax expense	6	(24,510)	(24,255)
PROFIT FOR THE YEAR		61,115	82,517
Attributable to:			
Ordinary equity holders of the Company		58,256	81,055
Non-controlling interests		2,859	1,462
		61,115	82,517
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		HK6.7 cents	HK9.3 cents
Diluted		N/A	N/A

Details of the dividend are disclosed in note 7 to the announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
PROFIT FOR THE YEAR	61,115	82,517
OTHER COMPREHENSIVE EXPENSES		
Other comprehensive expenses to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(79,312)	—
Realisation of exchange reserve upon disposal of subsidiaries	(557)	—
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	(18,754)	82,517
Attributable to:		
Ordinary equity holders of the Company	(20,331)	81,055
Non-controlling interests	1,577	1,462
	(18,754)	82,517

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	<i>Notes</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,116,300	2,106,533
Prepaid land lease payments		63,406	65,615
Interest in an associate		–	42,152
Prepayments		8,142	14,271
Long term receivables		30,074	29,324
Deposits paid		45,080	32,863
Deferred tax assets		2,637	8,931
Total non-current assets		2,265,639	2,299,689
CURRENT ASSETS			
Inventories		1,028,065	960,942
Accounts and bills receivable	9	816,609	821,046
Prepayments, deposits and other receivables		62,524	80,902
Equity investment at fair value through profit or loss		268	301
Tax recoverable		118	5,772
Pledged deposits		13,586	11,319
Cash and cash equivalents		517,573	487,283
Total current assets		2,438,743	2,367,565
CURRENT LIABILITIES			
Accounts and bills payable	10	595,309	612,358
Accrued liabilities and other payables		203,573	165,034
Derivative financial instruments		1,218	3,569
Due to an associate		3,092	3,102
Tax payable		22,184	29,409
Interest-bearing bank and other borrowings		705,100	952,069
Total current liabilities		1,530,476	1,765,541
NET CURRENT ASSETS		908,267	602,024
TOTAL ASSETS LESS CURRENT LIABILITIES		3,173,906	2,901,713

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,148,710	827,842
Deferred tax liabilities	492	175
	<hr/>	<hr/>
Total non-current liabilities	1,149,202	828,017
	<hr/>	<hr/>
Net assets	2,024,704	2,073,696
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Issued capital	86,992	86,992
Reserves	1,904,498	1,939,046
	<hr/>	<hr/>
	1,991,490	2,026,038
	<hr/>	<hr/>
Non-controlling interests	33,214	47,658
	<hr/>	<hr/>
Total equity	2,024,704	2,073,696
	<hr/> <hr/>	<hr/> <hr/>

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an equity investment at fair value through profit or loss and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to the consolidated statement of profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the fabric products segment engages in the production and sale of knitted fabric and dyed yarn and provision of related subcontracting services; and
- (b) the "others" segment includes the production and sale of garment products and provision of related subcontracting services and the provision of air and ocean freight handling services and mining.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax.

Intersegment revenue and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

During the year, management combined the Garment Segment with the Others Segment as a result of the diminishing importance of the Garment Segment for the operation of the Group. The corresponding information for the year ended 31 December 2014 has been re-presented accordingly.

Year ended 31 December 2015

	Fabric HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:			
Revenue from external customers	4,152,733	–	4,152,733
Segment profits/(loss)	188,801	(1,486)	187,315
Bank interest income	1,504	1	1,505
Finance costs	(61,585)	–	(61,585)
Gain on disposal of subsidiaries	–	542	542
Share of profits less losses of an associate	–	(42,152)	(42,152)
Profit/(loss) before tax	128,720	(43,095)	85,625
Income tax expense	(24,501)	(9)	(24,510)
Profit/(loss) for the year	104,219	(43,104)	61,115
Assets and liabilities			
Segment assets	4,693,850	7,895	4,701,745
Deferred tax assets	2,637	–	2,637
Total assets	4,696,487	7,895	4,704,382
Segment liabilities	2,674,546	4,640	2,679,186
Deferred tax liabilities	492	–	492
Total liabilities	2,675,038	4,640	2,679,678
Other segment information:			
Depreciation and amortisation	318,098	38	318,136
Loss/(gain) on disposal of items of property, plant and equipment	(1,027)	46	(981)
Impairment of accounts receivable	9,936	–	9,936
Write-back of impairment allowance for accounts receivable	(3,082)	–	(3,082)
Impairment of other receivables	300	586	886
Write-off of other receivables	868	–	868
Write-back of impairment of deposit and other receivables	(4,524)	(97)	(4,621)
Capital expenditure	(401,928)	–	(401,928)

Year ended 31 December 2014

	Fabric <i>HK\$ '000</i>	Others <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Segment revenue:			
Revenue from external customers	3,985,194	505	3,985,699
Segment profits/(loss)	160,693	(2,983)	157,710
Bank interest income	1,829	4	1,833
Finance costs	(56,745)	–	(56,745)
Gain on disposal of a joint venture	10,306	–	10,306
Share of profits less losses of a joint venture	(1,697)	–	(1,697)
Share of profits less losses of an associate	–	(4,635)	(4,635)
Profit/(loss) before tax	114,386	(7,614)	106,772
Income tax expense	(24,071)	(184)	(24,255)
Profit/(loss) for the year	90,315	(7,798)	82,517
Assets and liabilities			
Segment assets	4,608,756	7,415	4,616,171
Interest in an associate	–	42,152	42,152
Deferred tax assets	8,931	–	8,931
Total assets	4,617,687	49,567	4,667,254
Segment liabilities	2,588,621	4,762	2,593,383
Deferred tax liabilities	175	–	175
Total liabilities	2,588,796	4,762	2,593,558
Other segment information:			
Depreciation and amortisation	302,087	60	302,147
Loss on disposal of items of property, plant and equipment	1,062	–	1,062
Impairment of accounts receivable	5,758	103	5,861
Write-back of impairment allowance for accounts receivable	(3,375)	(142)	(3,517)
Impairment of a deposit and other receivables	4,638	187	4,825
Capital expenditure	403,139	–	403,139

Geographical information

(a) Revenue from external customers

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Korea	813,764	777,135
Mainland China	770,068	634,951
Hong Kong	741,762	726,663
Taiwan	510,383	423,696
Singapore	461,035	793,541
Others	855,721	629,713
	<u>4,152,733</u>	<u>3,985,699</u>

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Mainland China	2,133,675	2,122,196
Hong Kong	98,584	138,481
Singapore	62	114
Others	607	643
	<u>2,232,928</u>	<u>2,261,434</u>

The non-current assets information above is based on the location of the assets and excludes long term receivables and deferred tax assets.

Information about a major customer

During the years ended 31 December 2015 and 2014, the revenue from the Group's largest customer amounting to less than 10% of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and services rendered by the Group.

An analysis of the revenue, other income and gains, net, is as follows:

	<i>Note</i>	2015 HK\$'000	2014 HK\$'000
Revenue			
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services		4,152,733	3,985,194
Production and sale of garment products and provision of related subcontracting services		—	505
		4,152,733	3,985,699
Other income			
Fee income from freight handling services		7,835	8,254
Bank interest income		1,505	1,833
Gross rental income		430	409
Subsidy income from the People's Republic of China (the "PRC") government	5	2,525	1,075
Others		16,915	16,947
		29,210	28,518
Gains, net			
Fair value gains/(losses), net:			
Equity investment at fair value through profit or loss – held for trading	5	(33)	(84)
Derivative financial instruments – transactions not qualified as hedges but matured during the year	5	872	(662)
Derivative financial instruments – transactions not qualified as hedges and not yet matured	5	(1,218)	(3,569)
		(379)	(4,315)
Other income and gains, net		28,831	24,203

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cost of inventories sold and services provided	3,514,895	3,412,403
Research and development costs	13,805	12,835
Depreciation of items of property, plant and equipment	316,306	300,324
Amortisation of prepaid land lease payments	1,830	1,823
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	445,175	405,416
Pension scheme contributions	59,649	46,528
	<u>504,824</u>	<u>451,944</u>
Minimum lease payments under operating leases	10,724	10,317
Loss/(gain) on disposal of items of property, plant and equipment*	(981)	1,062
Impairment of accounts receivable*	9,936	5,861
Write-back of impairment allowance for accounts receivable*	(3,082)	(3,517)
Impairment of deposit and other receivables**/**	886	4,825
Write-off of other receivables*	868	–
Write-back of impairment of deposit and other receivables*	(4,621)	–
Gain on disposal of subsidiaries*	(542)	–
Gain on disposal of a joint venture****	–	(10,306)
Fair value losses/(gains), net:		
Equity investment at fair value through profit or loss		
– held for trading	33	84
Derivative financial instruments – transactions not qualified as hedges but matured during the year	(872)	662
Derivative financial instruments – transactions not qualified as hedges and not yet matured	1,218	3,569
Foreign exchange differences, net*	3,038	4,962
Subsidy income from the PRC government***	<u>(2,525)</u>	<u>(1,075)</u>

* These amounts are included in “Other operating expenses, net” on the face of the consolidated statement of profit or loss.

** Included in above impairment allowance for a deposit and other receivables is an allowance for a deposit and other receivables of HK\$886,000 (2014: HK\$4,825,000) with a carrying amount of HK\$886,000 (2014: HK\$4,825,000) before impairment allowance. The impaired deposit and other receivables were not expected to be recovered.

*** There are no unfulfilled conditions or contingencies relating to these grants.

**** During the year ended 31 December 2014, the Group disposed of its 25% ownership interest in Honghu Xing Ye Textile Co Ltd. (“Honghu”), the then joint venture of the Group, to a joint venturer of Honghu for a consideration of RMB26,000,000 (equivalent to HK\$32,500,000). The gain on disposal of Honghu of HK\$10,306,000, represented the difference of (i) the consideration of HK\$32,500,000; and (ii) the Group's share of net assets in Honghu of HK\$19,930,000 and an amount due from a joint venture of HK\$2,264,000 at the date of disposal, was recognised in the consolidated statement of profit or loss for the year ended 31 December 2014.

The cost of inventories sold and services provided includes depreciation and staff costs of HK\$673,041,000 (2014: HK\$617,739,000), which are also included in the respective total amounts disclosed separately above.

The research and development costs include depreciation and staff costs of HK\$12,717,000 for the year ended 31 December 2015 (2014: HK\$11,358,000), which are also included in the respective total amounts disclosed separately above.

At 31 December 2015, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2014: Nil).

6. INCOME TAX

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax – Hong Kong		
Charge for the year	6,257	7,874
Underprovision/(overprovision) in prior years	(237)	831
Current tax – Elsewhere		
Charge for the year	13,061	16,383
Underprovision/(overprovision) in prior years	(965)	2,990
Deferred tax expense/(credit)	6,394	(3,823)
	<hr/>	<hr/>
Total tax charge for the year	24,510	24,255
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (2014: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the corporate income tax rate is unified to 25% for all enterprises in Mainland China.

7. DIVIDEND

The proposed final dividend for the year of HK1.5 cents (2014: HK1.3 cents) per ordinary share, in aggregate of approximately HK\$13.0 million (2014: approximately HK\$11.3 million), is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$58,256,000 (2014: HK\$81,055,000), and the 869,919,000 (2014: 869,919,000) ordinary shares in issue during the year.

The Company had no potentially dilutive ordinary shares during the year ended 31 December 2015.

The calculation of the diluted earnings per share amount is based on the profit for last year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation was the weighted average number of ordinary shares in issue during the last year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2014 in respect of a dilution as the share options outstanding had no dilutive effect on the basic earnings per share amounts presented.

9. ACCOUNTS AND BILLS RECEIVABLE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Accounts and bills receivable	841,315	841,923
Impairment	(24,706)	(20,877)
	<u>816,609</u>	<u>821,046</u>

The Group's trading terms with its customers are generally on credit with terms of up to three months and are non-interest-bearing (except for certain well-established customers with strong financial strength, good repayment history and creditworthiness, where the credit terms are extended to six months). The Group seeks to maintain strict control over its outstanding receivable and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts and bills receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts and bills receivable balances.

An aged analysis of the Group's accounts and bills receivable as at the end of the reporting period, based on the invoice date and net of impairment allowance, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 month	294,105	341,559
1 to 2 months	217,927	212,465
2 to 3 months	127,086	147,852
Over 3 months	177,491	119,170
	<hr/> 816,609 <hr/>	<hr/> 821,046 <hr/>

10. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the Group's accounts and bills payable as at the end of the reporting period, based on the invoice date, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 3 months	492,826	502,592
3 to 6 months	100,368	105,981
Over 6 months	2,115	3,785
	<hr/> 595,309 <hr/>	<hr/> 612,358 <hr/>

The accounts and bills payable are non-interest-bearing and are normally settled on credit terms of one to four months.

BUSINESS REVIEW

During the Year of 2015, manufacturing and export of textile remained the principal operation of the Group, and United States (“U.S.”) continued to be our major end-market, contributing 65.2% of the total revenue of the Group. Modest recovery in the U.S. has been observed in the past few years and continued in 2015. According to the Bureau of Labor Statistics, the unemployment rate in the U.S. fell to a new low of 5.0% in December 2015 from 5.6% in the previous year, and it has been the lowest since the financial crisis in 2008; while Consumer Confidence Index conducted by the University of Michigan recorded 92.9 in average in 2015, the highest since 2004. Moreover, the Gross Domestic Products of the U.S. grew at a moderately rate of 2.4% in 2015, same as in 2014. Expressing confidence towards the national economy, the Federal Reserve raised interest rates by 0.25% for the first time in nearly a decade in December 2015.

Despite the encouraging figures, the consumer sentiment was still unpredictable due to the global fragile economy in 2015. The Census Bureau in the U.S. released figures recently, showing that real median household income in 2014 was 6.5 percentage lower than in 2007, the year before the most recent recession. The labour force participation rate in December 2015 was only 62.6%, according to the U.S. Bureau of Labour Statistics, which may indicate the workforce is shrinking and becomes a problem for restoring a healthy economy. With the purchasing power remained at a relatively low level, the consumption desire is yet to restore and is highly volatile. Under such backdrop, the Group continued to maintain prudent strategies to be financially healthy, and at the same time, diversified its operation risks by enlarging its client mix, and penetrating into markets of Mainland China, Europe, Japan and other Southeast Asia countries to open new revenue sources. With its efforts over the years, the Group successfully sustained its market position and captured new business opportunities, thus achieving satisfactory operating results.

For the Year, the Group’s overall revenue increased slightly by approximately 4.2% to approximately HK\$4,152.7 million (2014: approximately HK\$3,985.7 million). Gross profit increased by approximately 11.3% to HK\$637.8 million (2014: HK\$573.3 million) and Gross profit margin increased by 1.0 percentage point to 15.4%. Profit attributable to ordinary equity holders of the Company for the reporting year amounted to approximately HK\$58.3 million, which included share of losses of an associated company with approximately HK\$42.1 million as a result of its delay in its project development in response to the continuing downside trend of mineral price. Hence profit from core operation for the Year ended 31 December 2015, excluding the share of losses of an associated company, was approximately HK\$100.4 million, representing a 17.2% increase as compared with the previous year. The mentioned share of losses has no cash flow impact to the Group and would not affect the Group’s ordinary business operation. The basic earnings per share was HK6.7 cents (2014: HK9.3 cents).

The economy of the U.S., our major end-market, experienced another year of sluggish growth for the Year. Continuing our sales strategy to diversify the Group's operational risks in the long-term, we further enlarged its client mix and penetrated into other markets in 2015, to gradually mitigate the reliance on the U.S. market. Other than the U.S., the revenue generated from other markets such as Japan, China and Canada continued to expand during the Year when compared with previous year. During the Year, the Group successfully established trusted relationship with a number of new customers with its consistently reliable delivery and good quality products.

Throughout the Year, the average selling price ("ASP") of textile products of the Group remained stable at a relatively low level, owing to the constantly low market price of cotton. Ongoing consolidation of textile manufacturers also imposed pressure on small players. Yet, as one of the leading fabrics solutions providers, the Group was capable to maintain a healthy order flow and stable ASP during the Year, resulting in higher output volume and improved production efficiency with better gross profit margin of the Group in 2015.

In order to further enhance its operating efficiency, the Group continued to streamline its production facilities in Enping and Panyu, China (the "Enping Plant" and "Panyu Plant" respectively). The Panyu Plant was mainly responsible for upstream operations, such as yarn dyeing, fabric knitting, fabric dyeing and processing, while the Enping Plant was mainly for fabric knitting, fabric dyeing and printing solutions. In 2014, the Group established a new fabric knitting production facility in the Enping Plant, that completed trial run in late 2015, and commenced operation in 2016. With the knitting facility added, the Enping Plant has become a more comprehensive, vertically-integrated production base of the Group. This helps the Group optimise the operation flow, hence saving the logistics time and costs, by centralising major production procedures in the Enping Plant. On top of this, the Group also dedicated more resources to implement machinery upgrades and automations, in order to optimise of manpower and improve efficiency, and produce high-precision products more efficiently. Such measures help the Group to differentiate ourselves from the peers, and support its timely delivery of quality and tailored services to customers worldwide.

MAJOR MOVEMENT

On 25 August 2015, the Group obtained a syndicated loan facility of HK\$1 billion for a term of 3.5 years. The loan was mainly used for refinancing previous syndicated loan of HK\$1 billion and to fund the expansion of facilities in the Group's Enping Plant in the future. The continuous support from bankers has proven the recognition of the Group's vision and development plan in the capital market.

PROSPECTS

Looking ahead, the Group expected the operating environment of textile industry would remain tough in 2016. In January 2016, global investors were fleeing stocks and running to safer investments like bonds and gold, causing a sell-off in global stock markets. It was mainly due to the new monetary policies and negative interest rates imposed by the five central banks in the world, namely Denmark, the Eurozone, Sweden, Switzerland and Japan, to stimulate economic growth. Seeing the volatility of global financial market, Federal Reserve policymakers held a meeting in January, expressing their worries that the economies of China and emerging countries would potentially drag the U.S. economy. Despite of the interest rate rises in the U.S. in the end of 2015, falling commodity and stock prices in the beginning of 2016, along with slowing domestic and global economic growth, had undermined market expectations for further Federal Reserve interest rate rises this year.

In view of such a challenging global economy, the Group will closely monitor stringently its inventory level and maintain prudent capital management, to ensure the stability and sufficiency of its financial condition. The Group will also persistently pursue new growth drivers through expanding sales network in different regions, seeking to increase orders from both existing clientele and new clients.

For new product development, the Group is optimistic about the prospects of the synthetic fiber. According to the Office of Textile and Apparel in Washington, U.S. import of man-made fiber during January to November in 2015 has a year-on-year increase by 9.8%. Foreseeing the increasing popularity of functional fabrics in the global market, the Group has been conducting new product development to enrich its product offerings and persistently applying for new patents to recognise its research efforts. In early 2016, the Group successfully obtained several new patents. The patented technologies will provide the Group with advantages on product diversity, quality, and hence differentiate itself from the fierce competition in the market. This also demonstrates its adaptability to the market changes and consumers' need on functional fabrics, which in turn will increase the Group's pricing power, as well as profitability in the long run. The continuous recognition of the Group's new products from the market is also expected to bring in new orders and enhance the utilisation of the Enping Plant in the near future.

In early February 2016, twelve nations including Vietnam, Japan and the United States signed Trans-Pacific Partnership trade agreement (TPP), which contains measures to lower tariffs and offer beneficial trade terms to participating countries. With the reduced import duties in the U.S. and Japan, apparel exports from Vietnam is expected to have strong advantages. To take advantage of the TPP tariff benefit and the low-wage business environment in Vietnam, the Group is considering to develop a manufacturing site in North Vietnam for textile production since last

year, and is currently in negotiation with the relevant parties to locate the site in an industrial zone near Hanoi. The Group believes that this strategic move will certainly help maintain the Group's position in the global knitted textile and garment sector in the next decade.

Leveraging on our established strengths, experience and foresight, the Group is confident to further solidify its position as an integrated textile solutions provider and create higher value for shareholders persistently.

FINANCIAL REVIEW

Revenue

Overall sales turnover achieved approximately HK\$4,152.7 million, representing an increase of approximately 4.2% as compared with last year (2014: approximately HK\$3,985.7 million). The increase was mainly attributable to the increased orders from the enlarged client network.

Gross Profit and Gross Profit Margin

Gross profit was approximately HK\$637.8 million, representing an increase of approximately 11.3% from last year (2014: approximately HK\$573.3 million). Gross profit margin increased slightly to approximately 15.4% (2014: approximately 14.4%), which was mainly attributable to the manufacturing efficiency brought forth by the increased production output.

Other Income and Expenses

Other income of approximately HK\$28.8 million (2014: approximately HK\$24.2 million) mainly comprised approximately HK\$14.1 million (2014: approximately HK\$13.0 million) from sales of excess steam generated by the power plant to nearby facilities in the district, approximately HK\$7.8 million (2014: approximately HK\$8.3 million) from fee on air and ocean freight, and approximately HK\$2.5 million (2014: approximately HK\$1.1 million) from subsidy income from PRC government. The remaining balance was primarily the result of rental income, and bank interest income.

Selling and distribution expenses of approximately HK\$129.1 million (2014: approximately HK\$109.5 million) consisted of approximately HK\$100.5 million (2014: approximately HK\$85.1 million) in shipping and delivery costs, which represented an increase of 18.1% relative to last year. The increase was mainly due to higher logistics costs incurred from the increase in sales volume. Administrative expenses, which included salaries, depreciation and other related expenses increased to approximately HK\$345.0 million (2014: approximately HK\$314.6 million) due to the expansion of factories in PRC.

Finance costs, which included an acceleration of the amortisation of syndicated loan charges incurred in 2013, interest on long-term loans from banks, bank overdraft and finance lease interests, increased by approximately 8.5% to approximately HK\$61.6 million (2014: approximately HK\$56.7 million) as compared with last year. The increase was primarily due to the non-cash amortisation effect of loan charges on the previous syndicated loan upon the repayment of the previous syndicated loan financed by the new syndicated loan in August 2015.

Net Profit and Net Profit Margin

Net profit attributable to ordinary equity holders of the Company for the Year was approximately HK\$58.3 million, representing a decrease of approximately 28.1% from last year (2014: approximately HK\$81.1 million). The decrease in net profit was mainly due to share of losses of an associate engaged in investment in mining project of approximately HK\$42.2 million as a result of its delay in project development. Excluding the share of losses of an associate, the underlying net profit attributable to ordinary equity holders of the Company for the year increased by approximately 17.2% to approximately HK\$100.4 million (2014: HK\$85.7 million).

Liquidity and Financial Resources

As at 31 December 2015, the Group's net current assets were approximately HK\$908.3 million (2014: approximately HK\$602.0 million). The increase in net current assets was mainly due to the availability of the new syndicated loan in August 2015, which was used to replace the previous syndicated loan in 2013. As such, the interest-bearing bank and the borrowings which were classified as current liabilities are refinanced by the long term loan. The Group will constantly review its financial position and maintain a healthy financial position by financing its operations from internally generated resources and long-term bank loans. As at 31 December 2015, the Group had cash and cash equivalents of approximately HK\$517.6 million (2014: approximately HK\$487.3 million). Current ratio was approximately 1.6 times (2014: approximately 1.3 times).

As at 31 December 2015, total bank and other borrowings of the Group was approximately HK\$1,853.8 million (2014: approximately HK\$1,779.9 million). The Group's net debt gearing ratio (i.e. net debt divided by the sum of equity and net debt) was at a healthy level of approximately 51.8% (2014: approximately 50.6%). Net debt comprises all interest-bearing bank and other borrowings, an amount due to an associate, accounts and bills payable, and accrued liabilities and other payables less cash and cash equivalents. Total equity comprises owners' equity as stated in the consolidated statement of financial position.

Debtors' turnover period, inventory turnover period and creditors' turnover period for the Year was approximately 71.8 days (2014: approximately 75.2 days), 106.8 days (2014: approximately 102.8 days) and approximately 61.8 days (2014: approximately 65.5 days) respectively. The respective decreases in debtors' turnover period and creditors' turnover period were mainly due to better control on accounts receivable and improvement in procurement control.

Financing

As at 31 December 2015, the total banking and loan facilities of the Group amounted to approximately HK\$5,551.5 million (2014: approximately HK\$6,707.3 million), of which approximately HK\$2,108.5 million (2014: approximately HK\$2,061.4 million) was utilised.

As at 31 December 2015, the Group's long-term loans were approximately HK\$1,148.7 million (2014: approximately HK\$827.8 million), comprising syndicated loan and term loans from banks of approximately HK\$1,137.6 million (2014: approximately HK\$827.7 million) and long-term finance lease payable of approximately HK\$11.1 million (2014: approximately HK\$0.1 million).

Dividend

The Board has resolved to recommend the payment of a final dividend of HK1.5 cents (2014: HK1.3 cents) per share for the year ended 31 December 2015 and will be payable to shareholders whose names appear on the register of members of the Company on 14 June 2016. Subject to the approval of shareholders regarding the payment of the final dividend at the forthcoming annual general meeting of the Company, the proposed final dividend will be paid on or about 27 June 2016.

Capital Structure

The capital structure of the Company is composed of equity and debt.

As at 31 December 2015, there has been no change in the capital structure of the Company. The share capital of the Company comprises only ordinary shares.

Foreign Exchange Risk and Interest Rate Risk

Approximately 66.5% (2014: approximately 66.7%) of the Group's sales was denominated in U.S. dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's costs of sales were denominated in U.S. dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily in respect to the Renminbi. The exchange rates of other currencies were relatively stable throughout the Year and immaterial on our cost structure. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary.

The Group's borrowings were mainly maintained at a floating rate basis. The management will pay attention to the interest rate movement and employed necessary hedging instruments in a prudent and professional manner.

Charge of Group's Assets

As at 31 December 2015, certain items of property, plant and equipment of the Group with an aggregate net book value of approximately HK\$36.6 million (2014: approximately HK\$55.3 million) were under finance leases.

Capital Expenditure

As at 31 December 2015, the Group invested approximately HK\$401.9 million (2014: approximately HK\$403.1 million) in capital expenditure of which approximately 84.1% (2014: approximately 75.0%) was used for the purchase of plant and machinery, approximately 11.6% (2014: approximately 22.1%) was used for the construction of new factory premises, and the remaining was used for the purchase of other property, plant and equipment and prepaid land lease payments.

As at 31 December 2015, the Group had capital commitments of approximately HK\$57.1 million (2014: approximately HK\$58.8 million) in property, plant and equipment. All are funded or will be funded by internal resources.

Staff Policy

The Group had 6,385 (2014: 6,020) employees in the PRC and 165 (2014: 171) employees in Hong Kong, Macau, Singapore, Korea and others as at 31 December 2015. The increase in staff number was mainly due to the production expansion in Enping. Remuneration packages are generally structured by reference to market terms and individual qualification. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Discretionary bonuses are offered to the Group's staff depending on their performance and the results of the Group. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide.

The Group operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance as well as medical insurance for all its employees in Hong Kong. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide. Also, the Group is obliged to provide its employees in the PRC with welfare schemes covering various insurance and social benefits. Staff benefits are also provided to the staff working in other countries according to the respective countries' statutory requirements.

The Company maintains a share option scheme, pursuant to which share options may be granted to selected eligible participants, with a view to providing an appropriate incentive package for the growth of the Group.

Major Customers and Suppliers

For the year ended 31 December 2015, sales to the Group's five largest customers accounted for approximately 21.4% (2014: approximately 28.3%) of total sales and sales to the largest customer included therein accounted for approximately 6.4% (2014: approximately 8.4%).

Purchases from the Group's five largest suppliers accounted for approximately 37.6% (2014: approximately 39.9%) of total purchases and purchases from the largest supplier therein accounted for approximately 12.9% (2014: approximately 11.5%).

None of the Directors, their respective close associates (as defined in the Listing Rules) or shareholders of the Company (which to the knowledge of the Directors) who own more than five percent, of the issued capital of the Company, had any interest in the Group's five largest customers and/or suppliers during the Year.

Segment Information

For the year ended 31 December 2015, the major end-market is remained as U.S.. By analysis of location of customers, which are garment factories, by regions, sales to the five largest regions (Singapore, Taiwan, Hong Kong, the PRC (other than Hong Kong and Macau) and Korea) accounted for approximately 79.4% (2014: (Singapore, Taiwan, Hong Kong, the PRC (other than Hong Kong and Macau) and Korea) approximately 84.2%) of total sales of the Group and sales to the largest region (Korea) (2014: Singapore) included therein accounted for approximately 19.6% (2014: approximately 19.9%) of the Group.

As at 31 December 2015, the Group's assets located in the fabric operation accounted for approximately 99.8% (2014: approximately 98.9%) of the total assets of the Group. Capital expenditure in the fabric operation during the Year accounted for approximately 100% (2014: 100%) of the total capital expenditure of the Group.

Material Acquisition and Disposal

In November 2015, the Group acquired a further 9% of equity interest in its non-wholly owned subsidiary, Kam Wing International Textile Company Limited, at a cash consideration of HK\$16 million. Such acquisition did not constitute a connected or discloseable transaction of the Company within the meaning of the Listing Rules.

In March 2016, the Group acquired the entire equity interests of Guangzhou City Panyu Dongchong Industrial Sewage Treatment Services Company Limited. The details of the transaction are disclosed in the announcement on 1 March 2016.

Save as disclosed above, there was no material acquisition and disposal by the Group during the Year.

Annual General Meeting ("AGM")

The AGM of the Company will be held at Workshop A on 23rd Floor, TML Tower, No. 3, Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong on Monday, 6 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

- (a) For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 2 June 2016 to Monday, 6 June 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 1 June 2016.
- (b) For determining the entitlement to the proposed final dividend for the Year (subject to approval by the shareholders at the AGM), the register of members of the Company will be closed from Monday, 13 June 2016 to Tuesday, 14 June 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible for the proposed final dividend, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 10 June 2016.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

CORPORATE GOVERNANCE

The Company is committed to maintaining good corporate governance practices. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The Company has applied the principles and complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the Year.

AUDIT COMMITTEE

The audit committee of the Company, comprising all the three independent non-executive Directors, namely, Mr. Chan Yuk Tong, Jimmy (as Chairman), Ms. Chu Hak Ha, Mimi and Mr. Ho Gilbert Chi Hang, has met with the external auditors of the Company, Messrs. Ernst & Young, to review the accounting principles and practices adopted by the Group and the annual results of the Group for the Year.

APPRECIATION

The Board would like to express our sincere gratitude to the shareholder, investors and business partners for their continued support and to our staff for their dedicated works during the Year.

GENERAL INFORMATION

At the date of this announcement, the Board comprises Mr. Tai Chin Chun, Mr. Tai Chin Wen, Ms. Cheung So Wan, Ms. Wong Siu Yuk, Mr. Chong Chau Lam and Mr. Wong Wai Kong, Elmen as executive Directors; Mr. Chan Yuk Tong, Jimmy, Ms. Chu Hak Ha, Mimi and Mr. Ho Gilbert Chi Hang as independent non-executive Directors.

By order of the Board
Kam Hing International Holdings Limited
Tai Chin Chun
Chairman

Hong Kong, 24 March, 2016